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To the Shareholders of
JMMB SELECT INDEX FUND LTD.

Auditors' Report

We have audited the accompanying balance sheet of JMMB Select Index Fund Ltd. (the "Fund") as at March 31, 2006, and the related statements of income, changes in net assets attributable to holders of redeemable shares and cash flows for the year then ended. These financial statements are the responsibility of the Fund's board of directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at March 31, 2006, and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature of the KPMG firm, written in black ink. The letters 'KPMG' are written in a stylized, cursive-like font with a horizontal line extending to the right from the end of the 'G'.

Chartered Accountants
May 17, 2006

JMMB SELECT INDEX FUND LTD.Balance Sheet
March 31, 2006*(Stated in Jamaica dollars)*

| | <u>Notes</u> | <u>2006</u> | <u>2005</u> |
|--|--------------|------------------------------|------------------------------|
| ASSETS | | | |
| Cash and cash equivalents | 4, 9 | 8,044,747 | 15,947,033 |
| Subscriptions receivable | 5 | - | 722,930 |
| Other receivables | 6 | 8,076,896 | 3,957,852 |
| Equity investments | | | |
| [Cost: \$349,788,795 (2005: \$377,828,065)] | 7 | <u>277,610,482</u> | <u>410,257,134</u> |
| Total assets | | <u>293,732,125</u> | <u>430,884,949</u> |
| LIABILITIES | | | |
| Redemptions payable | 8 | 1,329,023 | 4,108,142 |
| Other payables | | 2,571,323 | 1,776,938 |
| Due to Fund Manager | 9 | <u>5,099,156</u> | <u>5,566,796</u> |
| Total liabilities (excluding net assets attributable to holders of redeemable shares) | | <u>8,999,502</u> | <u>11,451,876</u> |
| Net assets attributable to holders of redeemable shares | | J\$<u>284,732,623</u> | J\$<u>419,433,073</u> |
| Number of outstanding redeemable shares | 10 | <u>43,348,915</u> | <u>47,016,346</u> |
| Net asset value per share | | J\$ <u>6.57</u> | <u>8.92</u> |

The financial statements on pages 2 to 15 were approved for issue by the Board of Directors of JMMB Select Index Fund Ltd. on May 17, 2006 and signed on its behalf by:



Chairman
Noel Lyon



Managing Director
Glenford McLeish

The accompanying notes form an integral part of the financial statements.

THE JMMB SELECT INDEX FUND LTD.

Income Statement

For the year ended March 31, 2006

*(With comparative figures for the period November 16, 2001 to March 31, 2005)**(Stated in Jamaica dollars)*

| | <u>Notes</u> | <u>2006</u> | <u>2005</u> |
|--|--------------|---------------------------|-----------------------|
| Income | | | |
| Interest | | 1,151,250 | 2,298,933 |
| Dividends | | 15,307,839 | 19,816,273 |
| (Losses)/ gains on investments | 11 | (113,075,903) | 50,184,538 |
| Other | | <u>31,015</u> | <u>816,302</u> |
| Total (loss)/ income | | (96,585,799) | <u>73,116,046</u> |
| Expenses | | | |
| Administration: | | | |
| Administrator fees | | 1,048,000 | 1,217,337 |
| Other | | 3,159,185 | 1,478,130 |
| Custodian fees | | 543,150 | 625,000 |
| Investment management fees | 9 | 5,508,490 | 8,499,943 |
| Advertising and selling expenses | | <u>1,899,424</u> | <u>1,378,257</u> |
| Total expenses | | <u>12,158,249</u> | <u>13,198,667</u> |
| Change in net assets attributable to holders of redeemable shares | | J\$(<u>108,744,048</u>) | J\$ <u>59,917,379</u> |

The accompanying notes form an integral part of the financial statements.

JMMB SELECT INDEX FUND LTD.Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares
For the year ended March 31, 2006

*(With comparative figures for the period November 16, 2001 to March 31, 2005)
(Stated in Jamaica dollars)*

| | <u>Notes</u> | <u>2006</u> | <u>2005</u> |
|--|--------------|------------------------|------------------------|
| Opening net assets | | 419,433,073 | - |
| Change in net assets attributable to holders of redeemable shares for the year/period | | (108,744,048) | 59,917,379 |
| Issue of redeemable shares during the year/period | 10 | 59,774,987 | 490,598,037 |
| Redemption of redeemable shares during the year/period | 10 | (85,731,389) | (131,082,343) |
| Balance as at March 31 | | J\$ <u>284,732,623</u> | J\$ <u>419,433,073</u> |

The accompanying notes form an integral part of the financial statements.

JMMB SELECT INDEX FUND LTD.

Statement of Cash Flows

For the year ended March 31, 2006

*(With comparative figures for the period November 16, 2001 to March 31, 2005)**(Stated in Jamaica dollars)*

| | <u>2006</u> | <u>2005</u> |
|---|----------------------|----------------------|
| Cash flows from operating activities | | |
| Change in net assets attributable to holders of redeemable shares | (108,744,048) | 59,917,379 |
| Adjustments for: | | |
| Net unrealised losses/(gains) on investments | 104,607,382 | (32,429,069) |
| Net realised losses/(gains) on investments | 8,468,521 | (17,755,469) |
| Changes in operating assets and liabilities | | |
| Other receivables | (1,611,395) | (2,082,841)* |
| Other payables | 794,385 | 1,776,938 |
| Due to JMMB Securities Ltd. | (467,640) | 5,566,796 |
| Dividends receivable | (2,507,649) | (1,875,011)* |
| Net cash used in operating activities | <u>539,556</u> | <u>13,118,723</u> |
| Cash flows from investing activity | | |
| Proceeds from sale of investments | 52,567,917 | 42,150,264 |
| Purchase of investments | (32,997,168) | (402,222,860) |
| Net cash provided by/(used in) investing activities | <u>19,570,749</u> | <u>(360,072,596)</u> |
| Cash flows from financing activities | | |
| Proceeds from issue of redeemable shares | 59,774,987 | 490,598,037 |
| Payments on redemption of redeemable shares | (85,731,389) | (131,082,343) |
| Subscriptions receivable | 722,930 | (722,930) |
| Redemptions payable | (2,779,119) | <u>4,108,142</u> |
| Net cash (used in)/provided by financing activities | (28,012,591) | <u>362,900,906</u> |
| Net change in cash and cash equivalents | (7,902,286) | 15,947,033 |
| Cash and cash equivalent at beginning of year | <u>15,947,033</u> | <u>-</u> |
| Cash and cash equivalent at end of year | J\$ <u>8,044,747</u> | <u>15,947,033</u> |
| Cash flows from operating activities include: | | |
| Interest received | 1,151,250 | 2,298,933 |
| Dividends received | 12,800,190 | 17,941,262 |
| Dividend income | (15,307,839) | (19,816,273) |
| Interest income | (1,151,250) | (2,298,933) |

* After reclassifications to conform to the current year's presentation.
The accompanying notes form an integral part of the financial statements.

JMMB SELECT INDEX FUND LTD.

Notes to the Financial Statements

March 31, 2006*(Stated in Jamaica dollars)*1. Identification

JMMB Select Index Fund Ltd. (“Fund”) is an open-ended investment fund incorporated with limited liability as an exempt Fund in the Cayman Islands and registered under The Mutual Funds Law of the Cayman Islands and under the Companies Law of the Cayman Islands. The registered office of the Fund is located at Elizabethan Square, George Town, Grand Cayman, Cayman Islands.

The objective of the Fund is to invest in, and carry on the business of the acquisition, possession, management and disposal of, equity instruments and money market securities. The Fund aims to achieve this objective mainly by investing in a highly diversified portfolio of Jamaica’s most liquid and actively traded stocks on the Jamaica Stock Exchange – the Select Index (usually referred to as ‘blue chip companies’). The Fund commenced trading operations on January 1, 2004. It is not the intention of the Fund to pay dividends; it is expected that all profits will be reinvested.

The investment activities of the Fund are managed by JMMB Securities Limited, (“Investment Manager”); the administration of the Fund is delegated to TransOcean Bank and Trust, Ltd., and the custodian activities are performed by Pan Caribbean Financial Services Limited. The Fund has no employees.

The Fund was incorporated on November 16, 2001. The comparative figures, therefore, cover the period November 16, 2001 to March 31, 2005.

2. Statement of compliance and basis of preparation(a) Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board (IASB).

(b) Basis of preparation:

The financial statements are prepared on a fair value basis for financial assets and financial liabilities at fair value through profit or loss. Other financial assets and financial liabilities are stated at amortised cost or redemption amount. The financial statements are presented in Jamaica dollars (J\$).

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the balance sheet date and the income and expenses for the period then ended. Actual amounts could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

There are no significant assumptions and judgements applied in these financial statements giving rise to a risk of material adjustment in the next financial year.

JMMB SELECT INDEX FUND LTD.

Notes to the Financial Statements (Continued)

March 31, 2006*(Stated in Jamaica dollars)*3. Significant accounting policies:

The accounting policies below have been applied consistently by the Fund and are consistent with those of the previous period.

(a) Investments:

Investments in quoted equities are designated as financial assets at fair value through profit or loss and are initially recognised at cost. Subsequent to initial recognition investments are measured at fair value with changes in their fair value being recognised in the income statement as unrealised gains/losses on investments. The fair values of the securities are based on their bid prices quoted on the Jamaica Stock Exchange as at the balance sheet date.

Equity transactions are accounted for on a trade date basis.

(b) Cash and cash equivalents:

Cash is comprised of demand and short-term deposits. Cash equivalents are highly liquid short-term investments that are readily converted to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment purposes.

(c) Taxation:

The Fund is exempt from income tax in the Cayman Islands. However, by virtue of, *inter alia*, its operations in Jamaica, it is liable to income tax on its taxable income. Income tax on the income for the period comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted at the balance sheet date.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(d) Dividend income:

Dividend income relating to exchange-traded equity investments is recognized in the income statement on the record date.

JMMB SELECT INDEX FUND LTD.

Notes to the Financial Statements (Continued)

March 31, 2006*(Stated in Jamaica dollars)*3. Significant accounting policies (cont'd):

(e) Expenses:

All expenses, including management fees and custodian fees, are recognised in the income statement on the accrual basis.

(f) Redeemable shares:

All redeemable shares issued by the Fund provide the investors with the right to require redemption for cash at the value proportionate to the investor's share in the Fund's net assets at the redemption date. In accordance with IAS 32 such instruments give rise to a financial liability for the present value of the redemption amount.

(g) Other receivables:

Other receivables are stated at their amortised cost, less impairment losses.

(h) Other payables:

Other payables and accrued charges are stated at cost.

(i) Income recognition:

Income is recognised in the income statement as it accrues.

(j) Impairment:

The carrying amounts of the Fund's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

(i) Calculation of recoverable amount:

The recoverable amount of the Fund's receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment:

An impairment loss in respect of receivables is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

JMMB SELECT INDEX FUND LTD.

Notes to the Financial Statements (Continued)

March 31, 2006*(Stated in Jamaica dollars)*3. Significant accounting policies (cont'd):

(j) Impairment (cont'd):

(ii) Reversals of impairment (cont'd):

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4. Cash and cash equivalents

| | <u>2006</u> | <u>2005</u> |
|---|---------------------|-------------------|
| Cash | 92,814 | 124,509 |
| Cash equivalents – Share of pooled money market fund, managed by parent of Fund Manager [effective rate at which interest was earned: 10.97% (2005: 11.63% %)] | <u>7,951,933</u> | <u>15,822,524</u> |
| | <u>J\$8,044,747</u> | <u>15,947,033</u> |

5. Subscriptions receivable

Subscriptions receivable related to amounts in respect of purchases of participating shares in the Fund.

6. Other receivables

Other receivables includes the following:

| | <u>2006</u> | <u>2005</u> |
|-------------------------------------|---------------------|------------------|
| Dividend income receivable | 4,382,660 | 1,875,011 |
| General Consumption Tax recoverable | 2,829,228 | 1,280,636 |
| Withholding tax recoverable | 865,008 | 577,075 |
| Prepayments | <u>-</u> | <u>225,130</u> |
| | <u>J\$8,076,896</u> | <u>3,957,852</u> |

JMMB SELECT INDEX FUND LTD.

Notes to the Financial Statements (Continued)

March 31, 2006*(Stated in Jamaica dollars)*7. Equity investments

The Fund's portfolio of investments at the balance sheet date comprised the following quoted equities:

| <u>No. of stock units</u> | <u>Description</u> | <u>2006 Quoted market value</u> | <u>2005 Quoted market value</u> |
|-------------------------------|---------------------------------------|---|---|
| 3,230,194 | The Bank of Nova Scotia Jamaica Ltd. | 64,442,370 | 107,098,688 |
| 9,585,889 | Cable and Wireless Jamaica Ltd. | 11,503,067 | 16,963,127 |
| 698,426 | Capital and Credit Merchant Bank Ltd. | 12,222,455 | - |
| 929,298 | Caribbean Cement Company Ltd. | 3,856,587 | 15,485,387 |
| 528,408 | Carreras Group Ltd. | 18,177,235 | 18,739,996 |
| 2,614,287 | Courts (Jamaica) Ltd. | 11,764,291 | 12,650,474 |
| 330,747 | Dehring, Bunting and Golding Ltd. | 6,019,595 | 8,146,349 |
| 3,064,205 | Desnoes and Geddes Ltd. | 24,820,060 | 28,685,642 |
| 1,321,199 | Gleaner Company Ltd. | 2,840,578 | 4,087,645 |
| 357,400 | GraceKennedy Ltd. | 22,605,550 | 47,576,518 |
| 1,324,730 | Jamaica Broilers Group Ltd. | 4,040,427 | 8,079,586 |
| 1,596,472 | Jamaica Money Market Brokers Ltd. | 20,147,477 | 34,613,896 |
| - | Jamaica Producers Group Ltd. | - | 9,545,620 |
| 4,053,575 | Life of Jamaica Ltd. | 32,388,064 | 36,730,121 |
| 2,704,337 | National Commercial Bank Jamaica Ltd. | 40,835,489 | 59,201,611 |
| 381,064 | Radio Jamaica Ltd. | <u>1,947,237</u> | <u>2,652,474</u> |
| Total quoted equities | | <u>J\$277,610,482</u> | <u>410,257,134</u> |

8. Redemption payable

Redemption payable includes amounts that were owed as at March 31, 2006, in respect of sales of participating shares of the Fund.

9. Related party balance and transactions(a) Related party:

A party is related to an entity, if:

- (i) directly, or indirectly through one or more intermediaries, the party:
 - (a) controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
 - (b) has an interest in the entity that gives it significant influence over the entity; or
 - (c) has joint control over the entity;
- (ii) the party is an associate of the entity;
- (iii) the party is a joint venture in which the entity is a venturer;
- (iv) the party is a member of the key management personnel of the entity or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);

JMMB SELECT INDEX FUND LTD.

Notes to the Financial Statements (Continued)

March 31, 2006*(Stated in Jamaica dollars)*9. Related party balance and transactions (cont'd)

(a) Related party (cont'd):

- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(b) Identity of related parties:

The Fund has a related party relationship with the Fund Manager, the parent and fellow subsidiaries of the Fund Manager, as well as with its directors, and the directors, senior officers and executives of the Fund Manager, the parent and fellow subsidiaries of the Fund Manager. As the Fund has no employees, its directors as well as the directors, senior officers and executives of the Fund manager are collectively referred to as "key management personnel".

- (c) The Fund appointed JMMB Securities Limited ("Fund Manager") to implement the investment strategy as specified in the prospectus and to provide administrative services. Under the Investment Management Agreement, the Investment Manager receives a management fee quarterly in arrears at an annual rate not exceeding two percent (2%) per annum of the net assets attributable to holders of redeemable shares on each valuation day as defined in the Offering Memorandum.

The balance due to the Fund Manager is made up as follows:

| | <u>2006</u> | <u>2005</u> |
|--|---------------------|--------------------|
| Management fees - earned by Fund Manager | 5,508,490 | 8,499,943 |
| - paid by Fund | <u>(2,038,229)</u> | <u>(5,443,778)</u> |
| | 3,470,261 | 3,056,165 |
| Transaction charges for the selling and purchasing of participating shares collected on behalf of Fund Manager, not yet remitted | <u>1,628,895</u> | <u>2,510,631</u> |
| | <u>J\$5,099,156</u> | <u>5,566,796</u> |

- (d) The balance sheet includes related party balances, arising in the ordinary course of business, as follows:

| | <u>2006</u> | <u>2005</u> |
|--|------------------|-------------------|
| | J\$ | J\$ |
| Parent of the Fund manager (see note 4) - cash and cash equivalents | <u>7,951,933</u> | <u>15,822,524</u> |

JMMB SELECT INDEX FUND LTD.

Notes to the Financial Statements (Continued)

March 31, 2006*(Stated in Jamaica dollars)*10. Capital account

| | <u>2006</u> | | <u>2005</u> | |
|-----------------------------------|-----------------------------|---------------------|-----------------------------|----------------------|
| | <u>Number of shares</u> | <u>J\$</u> | <u>Number of shares</u> | <u>J\$</u> |
| Authorised share capital: | | | | |
| Ordinary share of J\$1.00 | 1 | 1 | 1 | 1 |
| Redeemable shares of J\$1.00 each | <u>399,999,999</u> | <u>399,999,999</u> | <u>399,999,999</u> | <u>399,999,999</u> |
| | <u>400,000,000</u> | <u>400,000,000</u> | <u>400,000,000</u> | <u>400,000,000</u> |
| Issued and fully paid: | | | | |
| Redeemable shares | | | | |
| Opening balance | 47,016,346 | 359,515,695 | - | - |
| Issued during the period | 7,397,484 | 59,774,987 | 62,378,856 | 490,598,037 |
| Redeemed during the period | <u>(11,064,915)</u> | <u>(85,731,389)</u> | <u>(15,362,510)</u> | <u>(131,082,343)</u> |
| Balance as at March 31 | <u>43,348,915</u> | <u>333,559,293</u> | <u>47,016,346</u> | <u>359,515,694</u> |
| Ordinary share | <u>1</u> | <u>1</u> | <u>1</u> | <u>1</u> |

The ordinary share entitles the holder to receive notice of, attend and vote at general meetings of the Fund. Ordinary shares do not carry any right to redemption, or to any distribution of any kind, except in a winding-up. In the event of a winding-up of the Fund, a holder of an ordinary share is entitled to receive a pro-rata share up to their par value out of the Fund's assets. JMMB Securities Limited is the holder of the only ordinary share.

Redeemable shares carry the right to receive notice of, attend, and vote, at meetings only:

- where a special resolution is proposed by a holder of ordinary shares to wind up the Fund or to amend its Memorandum and Articles of Association, or
- where a resolution is proposed to amend the Fund's investment policy, or
- where a resolution is proposed in general meeting to issue shares other than as ordinary shares or redeemable shares.

After the initial offering period, redeemable shares are available for subscription and redemption on each day that is a business day in Jamaica at a price equal to the net asset value per share.

In the event of a winding-up of the Fund, holders of redeemable shares are entitled to receive a pro-rata share up to their par value if there are sufficient assets available. In the event of any surplus assets, they are entitled to a further pro-rata share of the assets.

11. (Losses)/ gains on equity investments

| | <u>2006</u> | <u>2005</u> |
|---|---------------------------|-------------------|
| Realised (losses)/gains on sale of investments | (8,468,521) | 17,755,469 |
| Unrealised (losses)/gains on revaluation of investments | <u>(104,607,382)</u> | <u>32,429,069</u> |
| Total (losses)/gains on investments | J\$(<u>113,075,903</u>) | <u>50,184,538</u> |

JMMB SELECT INDEX FUND LTD.

Notes to the Financial Statements (Continued)

March 31, 2006*(Stated in Jamaica dollars)*12. Income tax

| (a) Reconciliation of effective tax rate: | 2006 | | 2005 | |
|---|----------|------------------|----------|---------------------|
| | % | J\$ | % | J\$ |
| Computed "expected" tax charge/(credit) | 33.33 | (36,248,016) | 33.33 | 19,970,462 |
| Effect on tax of treating the following items differently for income tax and financial statements purposes: | | | | |
| Unfranked income | 0.27 | (296,296) | 5.28 | 3,161,623 |
| Exempt dividend income | 0.46 | (503,908) | (6.49) | (3,888,147) |
| Capital distributions received | 0.59 | (643,465) | (4.53) | (2,716,617) |
| Expenses disallowed | - | - | 0.33 | 199,185 |
| Unrealised loss/(gain) on investments | (32.06) | 34,869,127 | (18.04) | (10,808,609) |
| Realised loss/(gain) on investments | (2.59) | <u>2,822,558</u> | (9.88) | <u>(5,917,897)</u> |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

13. Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of these financial statements, financial assets include cash and cash equivalents, subscriptions receivable, other receivables and investments. Financial liabilities include redemptions payable, other payables, and due to Fund Manager.

(a) Fair values:

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists.

The fair values of cash and cash equivalents, subscriptions receivable, other receivables, due to Fund Manager, redemptions payable and other payables approximate their carrying values, due to their short-term nature. The fair value of quoted equities is equal to their quoted market values (see note 7).

(b) Financial instrument risks:

Exposure to credit, interest rate, liquidity, market and cash flow risks arises in the ordinary course of the Fund's operations. Derivative instruments are not presently used to manage, mitigate or eliminate financial instrument risks.

(i) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. This risk is not considered significant as the majority of the Fund's financial assets are non-interest bearing with the exception of its interest in a pooled money market fund at Jamaica Money Market Brokers Limited. At the balance sheet date, this interest in the pool represented 2.79% (2005: 3.77%) of the Fund's net assets.

JMMB SELECT INDEX FUND LTD.

Notes to the Financial Statements (Continued)

March 31, 2006

(Stated in Jamaica dollars)

13. Financial instruments (cont'd)

(b) Financial instrument risks (cont'd):

(ii) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Fund has no significant credit risk as most of its investments are in quoted equities.

(iii) Foreign currency risk:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Fund has no exposure to foreign currency risk as all investments are in the Jamaican currency.

(iv) Liquidity risk:

The Fund's constitution provides for the daily creation and cancellation of shares and it is therefore exposed to the liquidity risk of meeting shareholder redemptions at any time. Liquidity problems may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and ensuring the availability of funding through an adequate amount of committed facilities. The Fund's quoted investments are considered fairly realisable as they are the most liquid stocks on the Jamaica Stock Exchange. This risk is further mitigated by the Fund maintaining a maximum of 10 percent of the net asset value in money market fund accounts that are readily realisable.

(v) Market risk:

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Fund is exposed to market risk as the financial instruments subject to this risk represent a significant portion of investments. The Fund's market risk is managed on a daily basis by the Investment Manager in accordance with policies and procedures approved by the board and placed in operation. These policies require the Investment Manager to invest only in stocks that are in the composition of the Jamaica Stock Exchange Select Index. The Fund's overall market positions are monitored on a monthly basis by the board of directors.

JMMB SELECT INDEX FUND LTD.

Notes to the Financial Statements (Continued)

March 31, 2006

*(Stated in Jamaica dollars)*13. Financial instruments (cont'd)

(c) Financial instrument risks (cont'd):

(vi) Cash flow risk:

Cash flow risk is the risk that future flows associated with a monetary financial instrument will fluctuate in amount. The Fund manages this risk by assessing, as far as possible, that fluctuations in monetary financial liabilities and assets are matched to mitigate any significant cash outflows.

14. New and revised IFRS and interpretations

At the date of authorisation of the financial statements, there were certain standards and interpretations which were in issue but were not yet effective. Those which are considered relevant to the Fund and their effective dates are as follows:

| | | |
|--|---|-----------------|
| IFRS 7 | Financial Instruments: Disclosure | January 1, 2007 |
| IAS 39 Amendments | The Fair Value Option | January 1, 2006 |
| IAS 39 Amendments | Financial Instrument Cash Flow Hedge Accounting for Forecast Intra-group Transactions | January 1, 2006 |
| IAS 39 Amendments | Financial Guarantee Contracts | January 1, 2006 |
| Interpretations Issued since January 1, 2006 | | |
| IFRIC 8 | Scope of IFRS 2 | January 1, 2006 |
| IFRIC 9 | Reassessment of Embedded Derivatives | June 1, 2006 |

The adoption of IFRS 7 is expected to result in additional disclosures for financial instruments. Except for these additional disclosures, the adoption of these standards and interpretations are not expected to have a material impact on the financial statements.